INTERIM REPORT

- first half 2018

MERKUR
COOPERATIVE BANK

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Information about Merkur Cooperative Bank

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CVR number: 24255689
Place of Domicile: Copenhagen

Board of Directors
Henrik Tølløse (Chair)
Jakob Brochmann Laursen (Vice-chair)
Thomas Bagge Olesen (Vice-chair)
Klaus Loehr-Petersen
Bernhard Franz Schmitz
Anke Stubsgaard
Stig Mårtensson
Henrik Kronel
Søren Sivesgaard

Executive Board
Lars Pehrson, CEO
Jan Klarbæk
Alex Andersen

Audit Committee
Jakob Brochmann Laursen (Chair)
Henrik Tølløse
Søren Sivesgaard

Auditing
PwC, State-Certified Auditing Firm, Limited Partnership Company

Branches
Aalborg, Bispensgade 16, 1., 9000 Aalborg

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Statement by the Executive Board and the Board of Directors

We have today processed and approved the semi-annual report for 1 January through 30 June 2018 for Merkur Cooperative Bank.

The semi-annual report has been prepared in accordance with the Danish Financial Business Act, including the executive order on financial reporting for credit institutions, investment companies, etc. We consider the accounting policies appropriate for the semi-annual report to provide a true and fair review of the cooperative bank's assets and liabilities, financial position and performance.

We consider that the management's review includes a fair review of the development in the cooperative bank's activities and finances, as well as a description of the most significant risks and uncertainties that might affect the cooperative bank.

The external auditors have not revised the semi-annual report nor performed a review.

Copenhagen, 21 August 2018

Executive Board

Lars Pehrson, CEO

Jan Klarbæk

Alex Andersen

Board of Directors

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Jakob Brochmann Laursen (Vice-chair)

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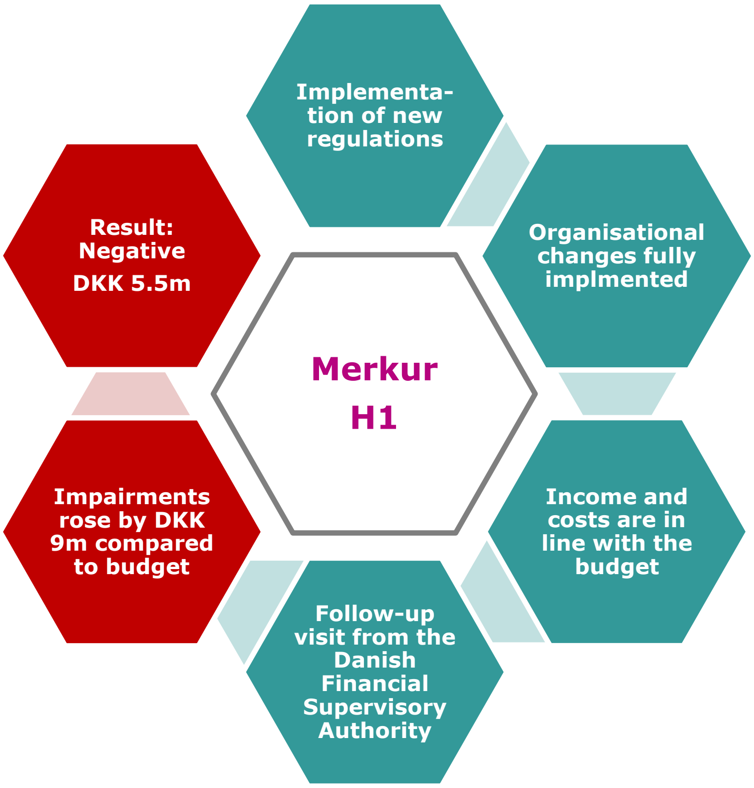
Management's review for the first half of 2018



The first half of 2018 at a glance

The first half of 2018 was incredibly busy. The Danish Financial Supervisory Authority (DFSA) decided to follow up on their inspection from last year. The follow-up inspection was concluded in August 2018 and showed that we are on the right track but we still have work to do to strengthen our credit function, compliance and risk management, which we started after the inspection in 2017. Merkur's board chose in September 2017 to implement a large organisational change aimed at strengthening the cooperative bank's fundamentals in the long term. We were very aware that this decision in and of itself would entail much work and demand many resources to fulfil. This turned out to be correct, but there is no doubt as to the necessity of the organisational change, and we are now much better equipped to meet the requirements and expectations that Merkur can expect also in the long run.

When we receive the final report from the DFSA's follow-up inspection in September 2018, we therefore expect criticism for not having reached as far as expected concerning some of the points of criticism from 2017. At the follow-up inspection, random samples were taken from the new customers that the cooperative bank has taken in during 2017. Even though no new impairment candidates were found in this spot check, we expect to receive remarks that the credit quality of our new customers is assessed to be below "normal risk". The latter is related to how the customers are classified and that the requirements that are associated with "normal credit quality" (2a) hardly can be met by e.g. younger families and many small businesses before later in their financial life cycle. Merkur's business model determines new customers should be classified as 2b as a minimum and this is the category of customers of whom we have the most. The official definition of a 2b customer is: *Customers that do not meet the*

Customer classification
The DFSA classifies the customers in banks. Here you can see how they rate the different types of customers.

3: Customers with impeccable credit rating. It is entirely inconceivable that the bank would incur losses on a loan.

2a: Customers with normal credit rating, i.e., a low probability that they will not be able to live up to their commitments.

2b: Customers that do not meet the criteria for 2a, but on the other and are displaying no significant weaknesses.

2c: Customers with significant signs of weaknesses, however, they are without an objective evidence of impairment being present.

1: Customers with objective evidence of impairment, where impairment should be calculated.

criteria in 2a, but which on the other hand do not have significant indicators of weakness. We therefore believe that many of the customers in this category should be viewed as good and interesting customers.

Merkur's organisational change is fully in place and all positions have been filled. During the first half of the year, we have hired a new financial manager, a new compliance and money laundering chief officer, a chief officer for risk and a new manager for personal customers in the Aarhus branch. The new leaders are fully engaged in their work and doing well in improving their respective areas of responsibility, just like we are gaining from synergies from a more effective organisation of the cooperative bank's internal support functions, together with IT and development resources. Last but not least, we have expanded the executive board with Chief Credit Officer Alex Andersen, who began work in June 2018. Alex Andersen comes from a position as Credit Manager in a bank that is significantly larger than Merkur, and he has much experience in the area of credit. This will enable us to perfect the last details in relation to documentation, controls, property evaluations and many other things, which today is required from a bank the size of Merkur.

In line with our strategy about growing, e.g. our investment and pension areas and in tune with the strongly increased interest in societally responsible investments, it was a joy that we in May 2018 could present the first four swan-labelled investment funds on the Danish market in cooperation with Triodos Investment Management. The swan label was well received and broadly reported on in the media, and we already see how it has increased interest for our investment products. The swan label is, together with other initiatives, meant to ensure that Merkur remains the frontrunner in this area, while we also are happy that other banks and pension providers are now more seriously engaging with this business. A larger market will also benefit Merkur, and we have the advantage because we were there from the beginning.

Financial developments

Results and operations

The result after tax for the first half of 2018 was a loss of DKK 5.5m, which is markedly better than last year's loss of DKK 12.9m for the six-month period. The result, however, remains highly dissatisfactory. The loss is primarily due to increased impairments in elongation of the follow-up inspection by the DFSA, as reported above. The value appraisal of securities and the determination of impairments entail an element of estimation from internal as well as external specialists. We unfortunately must ascertain that we in relation to two customers, where we already had made impairments, had not hit the level that the DFSA deemed to be the appropriate. This affects the accounts for the six-month period in the shape of increased impairments compared to our own expectations at the beginning of the year.

We have in the first half of the year had a smaller lending portfolio than last year, which has resulted in approx. DKK 0.5m less in income from interest income than the same period last year. This has been a deliberate choice in order to keep down growth in loans due to capital matters and instead prioritise our other business areas. We have an expectation that we in the short run can increase our loans so that the income item also will grow.

Net fees and income from commissions has risen by 22% (DKK 4.9) in comparison to the first half of 2017 to a total of DKK 23.8m. This is a very positive development, which we have tried to maintain and expand on in the coming period. The income comes primarily from mortgage-loan mediation, customers' investment activities, the pension area and payment systems.

The total net income from interest and fees constitute DKK 66.6m, an increase of 7%, or DKK 3.4m compared to the corresponding period in in 2017.

Income	Costs	Income in % of costs realised end of June 2018	Income in % of costs for the equivalnt period in 2017	Income in % of costs according to the budget	Income in % of costs in peer banks
DKK 66.9m	DKK 56.7m	118	118	121	142

Merkur has not succeeded in converting previous years' growth into a better business economy. We therefore must recognise that our income only exceeds our costs with 18% compared to the 42% enjoyed by banks of comparable size. In practical terms, this means that we earn too little on the services we provide to our customers, and this is of course not sustainable. This was the background for our decision in 2017 to initiate a large organisational change, along with a high number of other initiatives aimed at increasing our income and reducing costs.

Costs are by and large in accordance to the budget, which provides for increased personnel and administrative costs of DKK 3.4m compared to last year's level. IT is second to payroll the largest single item (approx. a fourth of all costs) and at the same time the area within which we have had the largest cost increases over the latest year (DKK 2.1m). This is primarily due to the heightened regulatory requirements, that we and thereby our IT system supplier, BEC, have to comply with. This, however, is not a sustainable development, which does not only affect Merkur. BEC has therefore begun a number of initiatives to counter the cost development. With increased focus on security, accessibility/digitalisation, and effectivization, as well as the continued high regulatory pressure, it is, however, a challenge that most likely will continue to pressure member banks' costs in the coming years.

Total costs include DKK 1.5m in extraordinary costs that we will not incur moving forward, of which DKK 0.8m are related to the organisational change.

Personnel – and administrative costs per fulltime equivalent (FTE)

	1/1-30/6 2018	1/1-30/6 2017	Budget - same period	Peer banks
FTE	99.4	98.4	100.3	85.0
Personnel and admin.costs	DKK 55.2m	DKK 51.8m	DKK 54.7m	DKK 50.6m
Costs. per FTE per year	1,111 DKK '000	1,053 DKK '000	1,090 DKK '000	1,191 DKK '000

The large organisational change that we began last year has contributed to keeping down costs per fulltime equivalent to a very competitive level. Compared to eight other banks our size, Merkur is actually a full DKK 80,000 lower in costs per employee. Merkur focuses intently on streamlining and automatization, so we can deliver high quality at a competitive price. As is apparent from the above, it is to a high degree the income seen in relation to costs that has to be increased in the coming years.

Market value adjustments have contributed negatively to the result of the first half of the year by DKK 0.9m against a positive yield in the same period last year of DKK 3.4m. The cause for negative result is primarily to be found in our bond holdings, which are managed by Sparinvest. Merkur has chosen a very conservative placement strategy of the surplus liquidity that we have from our customer deposits. This entails that the money either can earn interest in the national bank (negative 0.65% interest annually) or through investments in secure short bonds, which under current market conditions provide a negative yield of approx. 0.4% annually.

WHY DOESN'T MERKUR SIMPLY LEND OUT THE DEPOSIT SURPLUS?

Legislation determines the rules for capitalisation rate or capital ratio, which is a key indicator that shows how much capital Merkur and other banks have compared to their loans and other assets and risks. Since the capital requirements for all banks are increasing over the coming years until 2023, we have to reserve a larger part of our income and share subscription to cover the capital requirements rather than fully exploit the increasing capital base to increase loans. This means that Merkur cannot simply provide loans to new and existing customers with all the money we have in deposits, but we have to place them in secure alternatives that do not require capital coverage to the same extent as loans do. The downside of this solution is that our opportunities for financing good loan projects is restricted in addition to lower income from loans that we might otherwise have provided.

Losses and impairments constitute DKK 16.4m compared to DKK 28.4m in the first half of 2017, of which approx. 10m can be attributed to the DFSA having a different assessment of the need for impairments on two customers who were already impairment customers. In addition, the DFSA has esteemed the need to make further impairments for DKK 4.5m. The latter are impairments for which Merkur would have provided under any circumstances.

The economic development in the two six-month periods in 2017 and the first half of 2018 can be summarised thus:

'DKK 000	**H1 2017**	**H2 2017**	**H1 2018**
Net interest income	43,210	45,698	42,761
Other income	18,914	22,896	23,827
Net interest and fee income, etc., in total	62,124	68,594	66,588
Market value adjustments, etc.	3,419	-9,025	-908
Costs and impairments	-52,371	-57,010	-56,372
Losses and impairments	-30,245	-7,886	-16,403
Result before tax	**-17,073**	**-5,327**	**-7,095**

The economy in Danish society continues to develop positively. A number of the areas, in which Merkur has specialised itself, are also enjoying a favourable period. This is e.g. the case in the market for energy savings and independent schools. We have not yet seen the consequences of the extremely dry Danish summer, but we are following our organic agriculture and food production very closely. Our preliminary observations indicate that by far the most of our agricultural customers are able to handle the extra challenge represented by the drought.
Merkur's large portfolio of personal customers are in good financial shape with very few impairments, which is why we expect that the high level of impairments for the first half of the year have the character of a correction and that future impairments will be able to be kept at a more normal level.

Share price

The value of a share compared to its value at the change for the year has decreased from DKK 1,760 DKK 1,732.50, a fall of 1.6% in six months (EUR shares are lowered from EUR 440.00 to EUR 433.13). However, the decrease happened solely after the first quarter, in that the value has been stable during the second quarter. The decrease in the share price is a direct consequence of the deficit incurred over the period and does naturally not represent a satisfactory development. If expectations are realized for the rest of 2018, we will during 2018 have achieved a share value that exceeds that with which we began the year.

Balance sheet

During the first half of 2018, Merkur had a net customer intake of 4,108 new customers, which is considerably higher portion than the first half of the 2017. The total customer number is now 34,005. The customer number is affected by the extraordinary high number of energy-saving loans that Merkur has inherited from the energy company ENIIG at the end of May 2018. This acquired portfolio amounts to approx. DKK 45m and will contribute positively to income going forward. The loans have a relative short maturity and are to be replaced by new equivalent loans to ENIIG's customers.

The DKK 2,982m in deposits has developed in a relatively stable manner with a small decrease of 1.5% (DKK 45m) since 30 June 2017. This likewise represents a small decrease in comparison with the DKK 3,066m at the end of 2017. Merkur's deposit surplus has thus decreased by DKK 96m from DKK 1,133m at the turn of the year to the current DKK 1,217m. The deposit surplus represents a large potential for loans to good projects provided that the equity also increases proportionally.

Loans are completely at level with last year's total of DKK 1,764m, but have during the first half of 2018 on average been under the balance at the end of 2017. This, as previously discussed, is a deliberate prioritisation made in consideration to capital requirements and not an expression of the opportunities we have in the market.

It continues to be the case that the customers generally wish to settle debts and face the future with savings. This means that the repayment of existing loans continuously will make room for new loans without the overall loan area increasing. Better use of the large deposit surplus remains decisive for whether Merkur can reach its goals in the long run, but this part of the strategy awaits the excess capital coverage again to become sufficiently adequate to also cover a growth in loans.

Merkur's loans by loan areas

	No	**%**	**Amount (DKK 1,000)**	**%**	**Provided (DKK 1,000)**	**%**	***Provided end of 2017***	***Dev. acc. 2017***
Education and Culture	570	5.2	332,770	14.0	392,584	14.3	*441,952*	*-11%*
People and Society	390	3.6	188,757	7.9	220,044	8.0	*221,417*	*-1%*
Food products	446	4.1	420,498	17.7	482,724	17.6	*471,869*	*2%*
Environment and Energy	3,624	33.1	348,303	14.6	401,515	14.6	*385,307*	*4%*
Communities	177	1.6	167,636	7.0	176,361	6.4	*191,311*	*-8%*
Ordinary loans, credits and guarantees.	5,738	52.4	923,356	38.8	1,075,836	39.1	*1,111,491*	*-3%*
Total	**10,945**	**100.0**	**2,381,320**	**100.0**	**2,749,064**	**100.0**	***2,823,347***	***-3%***

The most significant change in the composition of guarantees, loans and credits is in the category "Education and Culture". The provided loans in this category fell by 11% and now constitute DKK 392m compared to DKK 442m at the end of 2017. Half of the decrease is in the unexploited part of the credits. In return, we see small increases within the loan areas of Food and Environment and Energy.

At end of the first six months, guarantees constitute DKK 617m, which is a decrease of 8.7% (DKK 59m) compared to end of year 2017. This fall is the primary reason for the fall of 3% in the total provided engagements, which appear in the table above. The rest of the fall is an expression of the fact that we do not have nearly as large unutilized credits at the beginning of the year.

Capital structure

The IFSR9 accounting standard was introduced to the Danish banks from 1 January 2018, which means that in principle we need to make impairments on all costumers from the day the loan is paid out. In other words, this means that impairments are more distributed over the term of a loan than

was the case before, where a triggering event had to occur with the customer, e.g. a bankruptcy or a tangibly deteriorating financial situation, before impairments could be made.
The effect of the transition to the new impairment principle is for Merkur's part calculated as DKK 17.3m after tax, which is deducted from capital at the beginning of the half-year period. The solvency effect of this will be phased in over five years through a transition arrangement.

Merkur's equity amounts to DKK 296m as of 30.06.2018. Compared to the end of 2017, this means a reduction of DKK 20m, which is mainly attributable to the introduction of the abovementioned new accounting method for impairments (IFRS9). In general terms, our equity consists of three elements: Subscribed share capital (DKK 260m), accumulated result for the present and previous years (DKK 48m) and other reserves (DKK 5m). Since IFSR9 is a change in method, the effect of the new impairment method is deducted directly in the equity with effect from 1 January 2018 by a total of DKK 17m.
Besides equity, subordinate loan capital has been supplied for a sum of DKK 48.6. This brings the total of liable capital to DKK 344.4m at the end of the first half of 2018.

Merkur's share capital has grown by DKK 2.7m, or 1.0%, during the first six months of the year. Over a 12-month period, the growth is DKK 11.5m or 4.5%. We expect that share subscription in the second half of the year will reach a higher level than what we have seen during the first six months. As a pleasant beginning of the second half of the year, our colleague and partner through many years, German GLS Gemeinschaftsbank, has invested share capital for DKK 3.8m following the end of the six-month period. GLS Gemeinschaftsbank was an important source of inspiration for Merkur, and GLS has throughout the years helped finance large loan projects in Denmark in cooperation with Merkur.

The number of shareholders has increased from 6,686 to 6,810 after deductions, a growth just under 2%.

As of 30 June 2018, the total capital base constitutes DKK 334.6m after deductions, compared to DKK 346.6m by the end of 2017, a decrease of 3.5%. Currently, the cooperative bank is in negotiations concerning a technical rescheduling of some of the cooperative bank's subordinate loans, which is expected to increase the capital base by approx. DKK 10m in the third quarter of 2018.

In January 2018, our Italian colleagues in Banca Etica contributed a subordinate loan of EUR 1m to the cooperative bank. We are very happy for the support and trust that we have been granted by our colleagues in Banca Etica and GLS Gemeinschaftsbank, which brings us a step closer in realizing our capital plan – a plan that is meant to enable both moderate growth in loans as well as fulfil the increasing capital requirements.

The capital ratio has as of 30 June 2018, among other things as a result of the six-month period's loss fallen to 15.65% against 16.35% at the turn of the year.

Finally, we can inform that the ongoing rescheduling of three subordinated loans is expected to lift the capital ratio by 0.6% when it is expected to be in place in the second half of 2018. Together with the contributed share capital from GLS Gemeinschaftsbank, cf. above, this will expectedly lift the capital ratio to the same level of 2017.

Merkur's ICAAP ratio has been calculated to be 11.19%, as of 30 June 2018. This is marginally higher compared to the 11.12% at the turn of the year. Since 2017, the capital conservation buffer for all banks has risen from 1.25% to 1.875%. In 2019, the buffer will be fully phased in at 2.5%. The total capital requirements for 2018 are thereby 13.07%. Compared to the actual capital ratio of 15.65%, the excess coverage is 2.58%. The decrease in excess coverage is more or less evenly distributed between the increased capital conservation buffer of 0.625% and the decrease in capital ratio of 0.70%. The excess coverage is less than the cooperative bank's internal goal of minimum 3%. When the mentioned rescheduling of the subordinated loans falls into place, the excess coverage is expected to again be more than 3%. In addition to this are the income and share subscriptions in the second half of the year.

	30.06.2017	31.12.2017	30.06.2018
ICAAP ratio without capital conservation buffer	12.16%	11.12%	11.19%
ICAAP ratio incl. capital conservation buffer	13.41%	12.37%	13.07%
Capital ratio (actual BIS-ratio)	15.92%	16.35%	15.65%
Capital excess coverage	2.51%	3.98%	2.58%
Minimum solvency requirement	9.25%	9.25%	9.88%

Supervisory diamond

In light of the 2008 financial crisis, the Danish Financial Supervisory Authority (DFSA) has introduced a number of benchmarks that can give an indication of whether a bank is beginning to take too large risks.

The five benchmarks can be configured in a pentagon, thus the designation "diamond", and are the following:

1. **Large commitments:** The sum of the 20 largest commitments should not exceed 175% of a bank's actual core capital. This indicator has been changed compared to 31 December 2017, when it only applied to commitments larger than 10% of the core capital. Comparative figures have been adjusted accordingly.

2. **Funding ratio:** The ratio between loans measured in proportion to working capital (deposits + Tier 1 capital + Tier 2 capital*) should at most be 1:1.

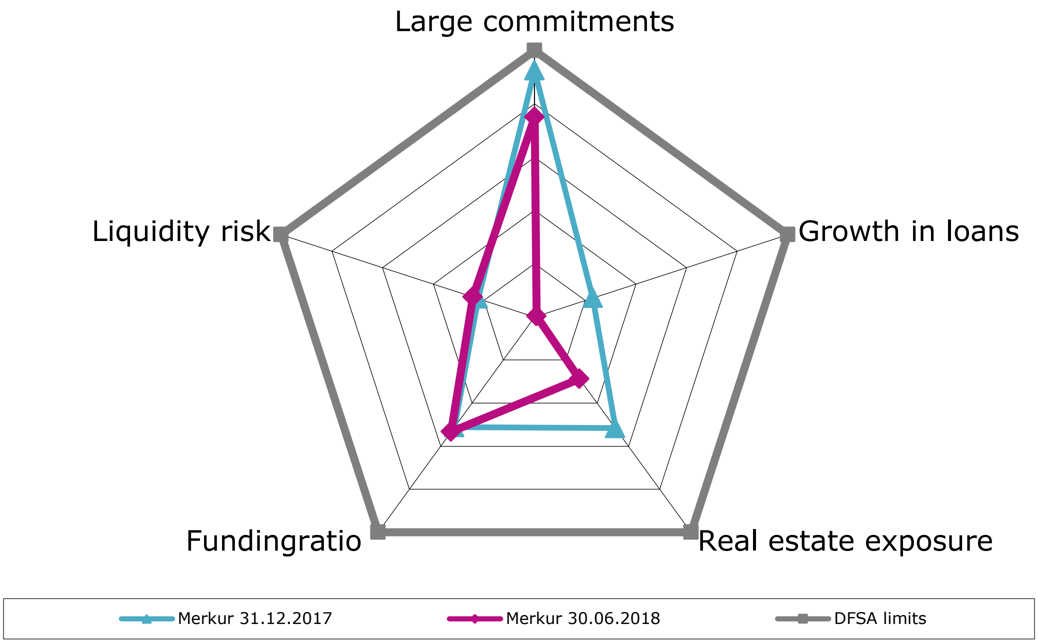
3. **Liquidity risks:** This measures the bank's ability to withstand a period of three months with liquidity stress. This means that the bank makes available high-quality liquid assets in relation to the expected outgoing cash flows deducted from the expected incoming cash flows. The law prescribes that this indicator should be higher than 100%. This indicator has been changed with effect from 30 June 2018. The former indicator measured the actual present liquidity. Comparative figures have been adjusted accordingly.

4. **Real-estate exposure:** The bank's exposure to the real-estate sector should at most be 25% of the loan and guarantee mass. It is underlined that the real estate sector consists of many other elements than those speculators who were given much attention during the financial crisis.

5. **Loan growth:** Annual growth rate for loans should not exceed 20% after impairments.

It must be underscored that exceeding the benchmarks in and of themselves does not in and of itself entail a breach of legislation (the indicator concerning liquidity risk being the exception) – but an infraction will lead to different degrees of heightened attention and reactions on the part of the DFSA. Merkur's management has as part of its general risk management added buffers for each of the individual indicators' limits so that attention can be given to the area internally long before the limits are reached.

At the end of first half of 2018, Merkur meets all five benchmarks.



Supervisory diamond in figures

	30.06.2018	31.12.2017	DFSA limits
Twenty largest commitments	131.3%	162.0%	Max. 175%
Funding ratio	53.0%	51.2%	Max. 100%
Liquidity risks	510.0%	448.0%	Min. 100%
Real estate exposure	7.2%	12.9%	Max. 25%
Loan growth	0.2%	4.6%	Max. 20%

Important events in during the six-month period

The most significant event in the six-month period was the follow-up on last year's routine visit from the DFSA, which was mentioned in the section *The first half of 2018 at a glance*. More information can be found on Merkur's website when we receive the final report from the DFSA – which is expected in the middle of September.

We have also implemented several new regulatory initiatives in the first six months of the year, of which IFSR9[1] and GDPR[2] are the most important. Both have been very resource demanding and thereby diverted energy from the strengthened dialog we wish to have with our customers. We

[1] International Financial Reporting Standard (IFRS) No 9 introduces a more forward-looking measurement of financial asset impairment (especially loans), based on expected losses in an asset's life cycle in contrast to the earlier approach based on ascertained losses. See the section "Accounting Policies" for a more detailed description of the changes.

[2] General Data Protection Regulation (GDPR). Denmark has always had rules to protect personal data. The latest rules in this area, however, have been initiated from the EU, which through a regulation has decided to make the rules more rigorous.

therefore have great ambitions for our skilled advisor group's opportunities to concentrate on advising and servicing our customers in the second half of the year.

Expectations for the rest of 2018

Merkur expects no growth in loans during the second half of 2018, which is in line with the budget and previous communications. On the other hand, we are continuously working on increasing business volume with existing customers, increasing the share capital and the additional capital base. In this manner we can moderately increase lending in the future. Deposits are expected to decrease slightly by 1-3% compared to 30 June 2018. The introduction of negative interest has likely had a dampening effect on the growth in deposits.

Following the large impairments from the first half of the year, we expect the second half to show a more normal picture at the level of DKK 5-8m. This estimate is associated with a certain degree of uncertainty since it depends on the general economic development in our surrounding society, where we are paying particular attention to the agricultural sector, which has been directly struck by the extreme weather conditions we have experienced this summer.
The development in single commitments can also influence the picture in both an upward as well as a downward direction.

Given the abovementioned estimates for impairments in the second half of the year, we expect an overall positive result for all of 2018 in the interval of DKK 1-5m after tax, assuming that the interest rate level remains unchanged for the rest of the year.
The reason for the downward adjustment of the result in comparison to previous ones can alone be ascribed to the extraordinary impairments.

Accounting policies

Uncertainty as to recognition and measurement

It is management's view that there are no uncertainties as to recognition and measurement, beyond what normally follows when statements of accounting values are made by exercising a certain degree of estimation.

Recognition and measurement have not been influenced by extraordinary circumstances beyond what has been mentioned in the section: "Accounting Policies".

Events following the end of the first half of 2018

As of the balance sheet date and until today, no circumstances have occurred that have upset the assessment of the annual report.

Concerning new impairment principles from 2018

With the accounting rules in IFRS 9, the previous impairment model, which was based on the incurred-loss model, will be replaced by an impairment model based on an expected-loss model. The new expectations-based impairment model entails that a financial asset at its first recognition is impaired by an amount corresponding to the expected credit loss over 12 months (Stage 1). If a subsequent significant increase in credit risk arises relative to the first point of recognition, the asset is impaired by an amount corresponding to the expected credit loss for the remainder of the asset's time to maturity (Stage 2). If an actual impairment is ascertained (Stage 3), the asset is impaired unchanged by an amount corresponding to the expected credit loss in the asset's time to maturity, but which is based on an increased probability of loss.
Collective impairments according to the previous rules are discontinued.

Accounting policies remain otherwise unchanged in relation to the annual accounts for 2017.

Merkur Cooperative Bank
Income statement January-June 2018
In 1,000 DKK

Note		Period ended June 30 2018	Period ended June 30 2017
1	Interest income	46,541	47,473
2	Interest expense	3,808	4,289
	Net interest income	**42,734**	**43,184**
	Dividends from shares etc.	28	26
3	Fee and commission income	26,973	22,050
	Fee and commission expense	3,146	3,136
	Net interest and fee income	**66,589**	**62,124**
4	Securities and foreign exchange income	-908	3,419
	Other operating income	345	212
5	Staff costs and administrative expenses	55,230	51,824
	Depreciation	735	699
	Other operating expenses	752	52
	Operating result before provisions and tax	**9,308**	**13,180**
6	Provisions for bad and doubtful debts	16,403	28,409
6	Impairment domicile property	0	1,836
	Result from holdings in associated undertakings	0	-8
	Profit before tax	**-7,095**	**-17,073**
	Computed tax of the period's result	-1,565	-4,131
	Net profit after tax	**-5,530**	**-12,942**

Balance sheet

Note	ASSETS (IN 1,000 DKK)	June 30 2018	Dec. 31 2017	June 30 2017
	Cash in hand and demand deposits with central banks	418,910	559,279	465,066
	Due from credit institutions + deposits with central banks	50,649	53,626	27,727
	Loans and advances	1,763,916	1,752,357	1,761,084
	Bonds at fair value	1,049,620	1,051,568	1,081,506
	Bonds at amortized cost	0	0	49,959
	Shares etc.	32,875	30,730	37,212
	Holdings in associated undertakings	2,935	2,935	640
	Holdings in affiliated undertakings	1,094	1,078	1,078
	Intangible assets	0	0	0
	Real estate (investment properties)	0	0	3,800
	Real estate in the use of the bank	11,346	11,490	11,397
	Other tangible assets	3,592	3,780	5,256
	Actual tax assets	3,576	3,011	3,399
	Deferred tax assets	12,730	6,286	4,843
	Assets in temporary possession	0	0	0
	Other assets	62,078	57,782	56,200
	Prepayments and accrued income	3,661	2,522	3,373
	TOTAL ASSETS	**3,416,981**	**3,536,444**	**3,512,540**
	EQUITY AND LIABILITIES (IN 1,000 DKK)			
	Due to credit institutions and central banks	60,569	83,539	104,268
	Deposits	2,981,576	3,065,809	3,027,182
	Current tax liabilities	0	0	0
	Other liabilities	25,899	28,231	24,897
	Total debt	**3,068,045**	**3,177,579**	**3,156,347**
	Provisions for obligations:			
	Provision for pensions and similar liabilities	164	164	292
	Provisions for deferred taxes	0	0	0
	Provisions for potential losses on guarantees	2,577	1,472	2,838
	Provisions for other obligations	1,808	300	507
	Total provisions for obligations	**4,549**	**1,936**	**3,637**
	Subordinated debt:			
	Subordinated debt	48,604	40,987	41,197
	Net capital:			
	Share capital	168,341	166,829	160,373
	Share premium account	91,603	90,446	85,444
	Revaluation of real property	0	0	859
	Other reserves	4,708	4,708	4,708
7	Net IFRS 9 calculation method change effect	-17,298		
	Brought forward from previous years incl. result of period	48,428	53,959	59,975
	Total net capital	**295,783**	**315,942**	**311,359**
	TOTAL LIABILITIES	**3,416,981**	**3,536,444**	**3,512,540**
	OFF-BALANCE SHEET ITEMS:			
	Guarantees etc.	617,536	675,862	770,012
	TOTAL OFF-BALANCE SHEET ITEMS	**617,536**	**675,862**	**770,012**

STATEMENT OF CAPITAL (1,000 DKK)

Note	Statement of capital June 30, 2018	June 30 2018	Dec. 31 2017	June 30 2017
	Share capital, beginning of year	166,829	156,364	156,364
	Capital increase	1,512	10,465	4,009
	Share capital, end of period	**168,341**	**166,829**	**160,373**
	Share price, DKK	1,732.50	1,760.00	1,780.00
	Share price, EUR	433.13	440.00	445.00
	Share premium account, beginning of year	90,446	82,100	82,100
	Share premiums from shares issued	1,157	8,371	3,344
	Other comprehensive income		-25	0
	Share premium account, end of period	**91,603**	**90,446**	**85,444**
	Other reserves, beginning of year	4,708	4,708	4,708
	Other reserves, end of period	**4,708**	**4,708**	**4,708**
	Revaluation reserves			
	Beginning of the year	0	859	859
	Value adjustment of domicile property	0	-859	
	Revaluation reserves, end of period	**0**	**0**	**859**
	Profit brought forward, beginning of year	53,958	72,917	72,917
	Increased through net profit of year	-5,530	-18,958	-12,942
	Profit brought forward, end of period	**48,428**	**53,959**	**59,975**
7	IFRS 9 calculation method change effect	-22,177	0	0
7	Deferred tax	4,879	0	0
	Net IFRS 9 calculation method change effect	**-17,298**	**0**	**0**
	Composition of net capital, end of period			
	Share capital	168,341	166,829	160,373
	Share premium account	91,603	90,446	85,444
	Other reserves	4,708	4,708	4,708
	Revaluation reserves, real estate	0	0	859
7	Net IFRS 9 calculation method change effect	-17,298		
	Brought forward from prior years	53,958	72,917	72,917
	Appropriated from net profit for the period	-5,530	-18,958	-12,942
	Total net capital	**295,783**	**315,942**	**311,359**

NOTES (in 1,000 DKK)		Period ended	Period ended
		June 30	June 30
Note		**2018**	**2017**
1	**Interest income**		
	Credit institutions and central banks	17	13
	Loans	45,584	46,445
	Bonds	467	935
	Other interest income	0	41
	Other interest income (negative interest on deposits)	474	39
	Total interest income	**46,541**	**47,473**
	of which repo transactions	0	0
2	**Interest expenses**		
	Credit institutions and central banks	1,806	2,291
	Deposits	535	793
	Subordinated debt	1,269	1,204
	Other interest expenses	197	1
	Total interest expenses	**3,808**	**4,289**
	of which repo transactions	0	0
3	**Fees and commission income**		
	Securities trade and securities in account	3,233	2,462
	Payment handling	3,817	3,003
	Loan business, fees and charges	2,546	2,569
	Guarantee commission	9,083	7,634
	Other charges, fees and commission income	8,294	6,382
	Total fees and commission income	**26,973**	**22,050**
4	**Securities and foreign exchange income**		
	Bonds (mark-to market valuation)	0	499
	Shares	-2,682	1,909
	Value adjustments investment properties	880	0
	Foreign exchange income	894	1,011
	Total securities and foreign exchange income	**-908**	**3,419**
5	**Staff costs and administrative expenses**		
	Salaries and remuneration of board of directors, executive board and shareholders committee:		
	Executive board	868	770
	Board of directors	518	399
	Total	**1,386**	**1,169**
	Staff costs:		
	Salaries	23,586	23,904
	Pension costs	2,785	2,559
	Financial services employer tax	4,270	3,856
	Total	**30,640**	**30,319**
	Other administrative expenses	23,204	20,336
	Total staff costs and administrative expenses	**55,230**	**51,824**

Average number of employees (full time equivalents) for the period was 99.4

6 Impairments

	IFRS 9	Individual	Collective	Total
	June 30 2018	June 30 2017	June 30 2017	June 30 2017
Impairments of the period	34,314	31,406	999	32,405
Reversal of impairments from previous years	-17,254	-2,897	-1,531	-4,428
Direct write offs	169	1,344	0	1,344
Income from prior years write offs and interest from impairments	-825	-912	0	-912
Net impairments from income statement	**16,403**	**28,941**	**-532**	**28,409**

7 Impairments

	Individuel	Collective	Total	Change IAS39 to IFRS9	Total	Total
	December 31 2017	December 31 2017	December 31 2017	January 1 2018	January 1 2018	June 30 2018
Impairments start of period	50,372		50,372	22,177	94,420	94,420
Impairments of the period	37,062	4,909	41,971			34,314
Reversal of impairments from previous years	-3,522	-1,693	-5,215			-17,254
Write offs, previously impaired	-14,885		-14,885			-10,822
Accumulated impairment June 30, 2018	**69,027**	**3,216**	**72,243**	**22,177**	**94,420**	**100,657**

Deffered tax 4,879 thousands calculated as 22% of the new IFRS9 calculation method (22,177 thousands)

7 Impairments and provisions by stage

	Stage 1	Stage 2	Stage 3	Total
Accumulated impairment tranfered from last year			72,243	72,243
Changed method of calculation re IFRS9	7,339	12,208	2,630	22,177
Impairments of the period	-263	-5,109	39,686	34,314
Reversal of impairments from previous years			-17,254	-17,254
Write offs, previously impaired			-10,822	-10,822
Accumulated impairment June 30, 2018	**7,076**	**7,099**	**86,482**	**100,657**

8 **Financial highlights**

	June 30 2018	June 30 2017	June 30 2016	June 30 2015	June 30 2014
Net interest and fee income	66,589	63,715	60,274	56,089	55,575
Market value adjustments	-908	3,419	8,964	2,711	2,934
Staff and administrative expenses	55,230	51,824	44,923	39,871	36,720
Impairments on loans etc.	16,403	28,409	7,190	11,881	13,446
Impairment domicile property	0	1,836	0	0	0
Result from holdings in ass. undertakings	0	-8	5	0	0
Profit of the period	-5,530	-12,942	11,515	3,168	3,425
Deposits	2,981,576	3,027,182	2,501,144	2,347,874	2,149,584
Loans	1,763,916	1,761,084	1,541,011	1,348,795	1,287,862
Net capital	295,783	311,359	292,119	236,231	216,500
Total assets	3,416,981	3,512,540	3,000,423	2,747,137	2,546,189

9 **FINANCIAL RATIOS** **Profit**	**June 30 2018**	**June 30 2017**	**June 30 2016**	**June 30 2015**	**June 30 2014**
Income/cost ratio DKK	0.90	0.80	1.26	1.05	1.07
Income/cost ratio DKK, before impairments and bank packages	1.18	1.18	1.29	1.35	1.46
Return on equity before tax (%)	-2.41	-5.43	5.4	1.3	1.9
Return on equity after tax (%)	-1.88	-4.12	4.3	1.4	1.6
Development in % of the value of shares, 12 months from 20. July the preceding year	-2.67	-1.52	5.70	2.86	3.91
Solvency					
Capital ratio (BIS Ratio)	15.6	15.9	17.4	16.2	15.1
Core capital ratio	14.2	14.0	15.0	13.5	13.0
Market risks					
Interest-rate risk (%)	0.7	0.14	-0.6	0.5	2.9
Currency position (%)	0.4	1.5	1.0	0.9	1.3
Currency risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity					
Loans + impairments in % of deposits	62.5	86.2	63.8	59.9	62.3
Excess cover in % relative to the statutory liquidity requirement	285.36	290.43	261.2	306.3	304.5
Credit risk					
Impairment ratio of the period	0.7	1.1	0.2	0.5	0.8
Accumulated impairment ratio	4.1	3.1	2.5	3.0	3.0
Sum total large-scale commitments in % of capital base		69.8	24.1	40.5	36.1
20 largest commitments in % of Tier 1 Cap.*	131.3				
Growth in % in loans of the period	0.66	5.08	7.7	-1.3	-0.3
Loans relative to equity	6.0	5.7	5.3	5.7	6.0

* Chage in calculation method as of 01.01.2018